

Sino-Soviet Bloc Economic Offensive
April 22, 1959

I appreciate this opportunity, provided by the Foreign Policy Clearing House, to speak to you on the subject of the Sino-Soviet Bloc economic offensive in underdeveloped areas.

25X1A9a I will confine my remarks opening to the economic side of things; Mr. [REDACTED] will handle the political side.

The Communist bloc trade and aid programs moved into high gear last year. The equivalent of over one billion dollars in new credits were extended.

If you look at Table 1, you can see that the total is now about \$2.5 billions. It has been, of course, far smaller than our own economic and military aid program.

However, the Soviet program is centered on a few key countries. In Afghanistan, Ceylon, Egypt, Syria, Iraq and Indonesia, Bloc economic aid exceeds our own.

In Burma, Cambodia, and India, while less than ours, Bloc Aid is quite substantial.

Bloc trade with underdeveloped areas shows a similar concentration. The Bloc now is a major trading partner of Afghanistan, Egypt, Syria, Iceland, Turkey and Yugoslavia.

Further, the Bloc today is trading with many countries where it never did much, if any, business before. In South America, this includes Argentina, Brazil and Uruguay. Tables 3 and 4 in your set give you a quick idea of the pattern of this trade and

the number of trade and payment agreements now in force.

Over 4,000 Bloc technicians have been sent out to assist the development of nations of the Free World. About 70 percent of these are engaged in economic activities. The rest are re-organizing local military establishments and teaching bloc military doctrine to indigenous personnel. (See Figure 2)

The Bloc also has a well-developed program for training students from underdeveloped countries. About 3,200 students, technicians and military specialists have now received such training behind the Iron Curtain.

The Soviet policy of economic penetration fits like a glove into their world-wide campaign of subversion.

The Communist world, in dealing with the former colonial areas and newly emerging nations of the world, has appealing slogans to export and vulnerable economic conditions to exploit.

The cost of all the Bloc economic and military aid has been small indeed. The amounts delivered each year to the underdeveloped countries represent a diversion of resources whose total value is far less than one percent of gross national product.

Further, we must not forget the repayment side. If you look at Chart 3 for a moment, you can see that well over half of what the Bloc imports from the underdeveloped countries consists of foodstuffs and about another 30 percent is crude materials, such as cotton. There is no overall surplus of food and fibers

in the Bloc. The European Satellite countries, for example, are deficient in both. Consequently, the Bloc can use to good advantage much of exportable surpluses of the underdeveloped countries, which we would find economically difficult and politically impossible to do.

It seems certain that Communist competition is going to get rougher, not easier, in the future. As Soviet capabilities grow, their activities in the free world will increase. For them, it is a cheap investment in disorder.

I read this into Khrushchev's statement of intention, made nine months ago.

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Nikita S. Khrushchev at the Soviet-Czechoslovak
Friendship meeting of July 11, 1958

Another form of relations is that between the socialist countries and the economically underdeveloped countries which need economic aid. As a result of the colonialist policy of many centuries, the economy of many countries of Asia and Africa which recently gained independence is considerably lagging. The Soviet Union and the other countries of the socialist camp deem it their duty to help them, to expand by every means trade with them and other forms of economic relations. One may not, of course, say that in this case our economic relations are based on mutual advantage. Speaking generally from the commercial viewpoint, our economic and technical aid to the underdeveloped countries is even unprofitable for us. But we hold that aid to the underdeveloped countries is necessary from the viewpoint of humanity and of general human solidarity.

FRIS, 14 July 1958